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ABSTRACT

The texts of three speeches on corporate giving to higher education are presented. In "The Potentials for Corporate Support of Higher Education--Realism Revisited," Hayden W. Smith outlines current corporate giving to education and trends in giving since 1950, a period during which changes in the law have encouraged the practice. These trends are compared to other sources of private financial support and the size of academic budgets. It is emphasized that a good case for corporate support cannot be made merely by the need and deserving character of the institution: each appeal for funding must show convincingly why it is in the interest of the prospective corporate donor to give the requested amount for the requested purpose. In "What Colleges and Universities Can Expect from Corporations," Doris J. O'Connor discusses what colleges and universities can expect of corporations: awareness of their needs, concern about their problems, and whatever action is within the corporations' means, to be of assistance. The reasons for Shell Foundation support are outlined (principally the need for competent manpower and for propagation of the profession of teaching), and the Foundation's main considerations in making donations are noted (the institution as a source of manpower, school quality, institutional control, and geographic location). Types of aid are suggested: ad hoc program support, structured programs that address the company's interests and/or needs, support of individuals' work, and joint action for public service. Hints are given for obtaining support. In "The Corporation Looks to the Campus," William A. Orme describes the General Electric Foundation's support of higher education, and explains that it is not entirely philanthropic but motivated by enlightened self-interest. These issues are considered: employee education, fund-raising expectations of institutions, alumni matching, resource allocation, minorities and women, lab equipment faculty shortages, college mortality, and preparing tomorrow's leaders. (MSF)

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Corporate Support of Higher Education

Pressure for a Realistic Appraisal

Addresses by

Hayden W. Smith, ***Senior Vice President***
Council for Financial Aid to Education

Doris J. O'Connor, ***Senior Vice President***
Shell Companies Foundation, Inc.

William A. Orme, ***Secretary***
General Electric Foundation

A Panel Presentation of the
Council for Financial Aid to Education, Inc.
at the Annual Meeting of the American Council on Education
San Francisco, California October 9, 1980

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CFAE

Council for Financial Aid to Education

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The Council for Financial Aid to Education (CFAE), a nonprofit service organization, promotes increased voluntary support of higher education by all sources, but especially by the corporate community.

CFAE was founded in 1952 by five prominent business leaders, the chairmen of United States Steel, General Motors, Exxon, Container Corporation and Armstrong Cork. The chairmen were Irving S. Olds, Alfred P. Sloan, Jr., Frank W. Abrams, Walter P. Paepcke and Henning W. Prentis.

CFAE staff members call personally upon hundreds of top-echelon business executives every year to explain the financial needs of higher education and to enlist corporate support in meeting them. CFAE also conducts seminars and offers counseling services for corporate and college administrators. It publishes an annual report on voluntary support received by colleges and universities, an annual report on corporate support of higher education, special studies in fields related to educational philanthropy, "how to" manuals and other materials designed to broaden the base of educational support.

CFAE sponsors the nationwide public-service advertising campaign, "Give to the college of your choice," through the Advertising Council. This campaign has elicited as much as $34 million worth of free time and space from the media in a single year.

CFAE itself neither solicits nor disburses funds for higher education. Originally funded by four major foundations—the Carnegie Corporation of New York, the Ford Foundation, the Rockefeller Foundation and the Alfred P. Sloan Foundation—CFAE now draws its support from more than 400 leading American corporations.

Corporate Support of Higher Education:

Pressure for a Realistic Appraisal

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Introduction

by John Haire, *President*
Council for Financial Aid to Education

It is my pleasure as president of the Council for Financial Aid to Education — or CFAE as we call it — to moderate this forum on Corporate Support of Higher Education.

When I am asked to identify CFAE, I find the quickest way to do so is to say, "We are the 'Give to the College of Your Choice' people." Our well-known advertising slogan has by now become a part of the American scene. For almost a quarter century the public-service advertising campaign which we sponsor through the Advertising Council has been providing an effective backdrop for the fund-raising efforts of America's colleges and universities.

In addition to our advertising program, we produce many publications designed to stimulate increased giving to colleges, including the definitive annual research study *Voluntary Support of Education,* which details the amounts, sources and purposes of support received by educational institutions.

The Council's activity most relevant to today's panel is our work with over 900 of America's leading corporations in the development of more effective and generous programs of corporate support of higher education.

In short, CFAE's job is to encourage increased voluntary support of higher education, especially by business. If you are interested in learning more about our activities, copies of our annual report are available at this session.

We also have available copies of CFAE's annual survey entitled *Corporate Support of Education, 1978.* The report for calendar year 1979 will be published in a few weeks. Based on that report, we estimate that in 1979 corporate support of education broke all records, reaching roughly $870 million, an increase of more than 17 percent in just one year. Corporate support has, indeed, become increasingly important to America's colleges and universities. Of the 972 colleges and universities which responded to our most recent survey questionnaire, 97 percent of the private four-year colleges reported receiving some support from business corporations. And a surprising 92 percent of the public four-year institutions also received some

corporate support. Even among two-year colleges, three out of four were recipients of support from the corporate community. The impressive thing to me about these facts is that such a high percentage of all reporting institutions—93.5 percent—have long since "broken the ice" in the field of corporate support. Regardless of the amount received, each of these institutions has succeeded in making a case for financial support to one or more corporate donors. Once this has been done, the expansion of corporate support to more meaningful levels will come with the application of sufficient energy and organized effort.

Three years ago at the 60th annual meeting of the American Council on Education, CFAE presented a panel on "The Corporate Stake in Higher Education: An Underdeveloped Potential." Our principal purpose then was to suggest to the academic community that colleges and universities had not fully exploited the opportunities for obtaining contributions from the business community. Our purpose today is to provide some follow-up to that earlier panel. One of our speakers on that occasion focused his presentation on what corporations and colleges can expect of each other. This afternoon we want to expand on that theme. And we are privileged to have with us to discuss this subject three noted authorities in the field. In the order in which they will speak, they are Hayden W. Smith, senior vice president and director of research, CFAE; Doris J. O'Connor, senior vice president, Shell Companies Foundation, Inc.; and William A. Orme, manager, Corporate Support Operation, General Electric Company, and secretary, General Electric Foundation. Mr. Orme is also the current chairman of the influential Contributions Executives Council of the Conference Board.

Let's get under way by hearing first from Hayden Smith.

The Potentials for Corporate Support of Higher Education—Realism Revisited

by Hayden W. Smith, *Senior Vice President and Director of Research, Council for Financial Aid to Education*

During the current academic year—1980-81—business corporations in the United States will make gifts and grants of cash and property to the institutions of higher education of approximately $700 million. In addition, they will provide scholarship and fellowship support to students, either directly or through third parties, in excess of $90 million. And the corporate community will give something over $200 million in other educational grants—support of precollege educational institutions, support of educational associations, support of education-related organizations and support of a wide variety of activities on the periphery of education. All told, corporate support of education is likely to amount to roughly $1 billion in 1980-81. And this excludes all contractual relationships between corporations and educational institutions, as well as in-house corporate expenditures of an educational nature.

As impressive as the billion dollar figure is, it amounts to only about 35 percent of the total contributions and gifts by corporations and their sponsored foundations. In this academic year, 1980-81, the business community will give a total of about $2.75 billion to charitable enterprises—those in the fields of health, education, the arts, environmental matters and a host of human service agencies. Next year the total will in all probability exceed $3 billion.

Corporate Support of Education in 1950

Just 30 years ago—well within the memory of most in this room—corporate educational philanthropy was virtually nonexistent. The best estimate we have for 1950 indicates that corporate giving to education was then barely over $40 million, or one-sixth of total corporate giving. More importantly, the atmosphere was not conducive to any significant increases in educational support. Most of the contributions then being made were attributable to a few very large companies, and none of them had much in the way of structured support programs. There were relatively few corporate-sponsored foundations, and the chief beneficiaries of business philanthropy were the community chests and other local charities. Indeed, there was considerable resistance to any kind of giving that might be characterized by the word "substantial," for charity was not believed to be the proper function of business. And there was considerable doubt at the time about the legality of corporate contributions, i.e., whether the management had the power to give shareholders' money away.

CFAE Founded, Law Justifies Corporate Giving

There were movements afoot, however, that were rapidly altering business attitudes toward voluntary contributions. One of those movements resulted in the creation of the Council for Financial Aid to Education by five of the most eminent business leaders of that time. Another was a deliberate effort to dissolve the legal cloud hanging over the contributions question. That effort was even more successful than the parties involved ever imagined it might be. The judge said not only that corporations had the power to make contributions even in the absence of a direct benefit, but also that in his opinion corporations had a solemn duty to make contributions toward the preservation of American business and the American way of life. Thus the law of the land fell into step with the emerging views of the day, which held that corporate philanthropy was something to be encouraged.

Once the resistance to corporate giving had been overcome, the interest and activities of business in this area increased rapidly. There were, of course, many other factors involved beyond the mere elimination of the barriers to corporate philanthropy. Not the least of those was the generally well-sustained prosperity of the American economy following World War II, for it is a fact that the levels of charitable giving increase with income.

While we have experienced five or six periods of economic recession in the last three decades, none of them has been very severe or very prolonged by historical standards. Economic growth, although seemingly sluggish at times, has been the hallmark of this period. This shows up in the gross national product, the national income and in corporate profits before taxes. All three of these indices are today more than eight times as large as they were in 1950, which implies growth rates of the order of 7.5 percent per year. After an adjustment for inflation, these growth rates fall to slightly more than 3 percent, which is substantial even if less than desired.

Corporate Philanthropy Grows Rapidly, 1950-80

Against this backdrop of generally sustained prosperity, corporate philanthropy, free from its prior restraints, increased very rapidly; it is today more than ten times as large as it was in 1950. And corporate support of education, which had been somewhat more inhibited prior to 1950 than other kinds of charitable giving, recorded a twentyfold gain in this 30-year period. That is, total corporate contributions rose from slightly over $250 million in 1950 to the current level of nearly $2.75 billion in 1980-81, while the educational part of it increased from an estimated $43 million in 1950 to almost a billion dollars today.

Since both total giving and educational support grew faster than corporate profits, it follows that they increased as a percentage of

profits. Less than 0.6 percent of pretax earnings in 1950, total contributions for 1980 will be between 1.1 and 1.2 percent. Likewise, corporate support of education increased from only 0.1 percent of pretax profits in 1950 to something over 0.4 percent this year.

Support from Alumni, Other Individuals and Foundations

On the educational side of corporate philanthropy, it is also important to look at the figures in relation to other sources of private gifts and grants and to the size of academic budgets. Financial support received from business corporations amounts to roughly one-sixth of total private financial support reported by colleges and universities. It is in fact fourth in importance behind the support received from alumni, from nonalumni individuals and from private foundations. In round numbers, total voluntary support of the institutions of higher education in the academic year 1980-81 will be on the order of $4 billion. About half of this, or $2 billion, will come from individual donors, perhaps $850 million from private foundations and roughly $700 million from business.

Despite the very rapid growth of private gifts and grants since the early 1950s, such support has fallen as a percentage of college and university expenditures, and the same is true for corporate support of higher education. During the late 1950s and early 1960s, corporate grants amounted to nearly 2 percent of total institutional expenditures for current and capital purposes combined; but because of the very rapid expansion of academic budgets between the early 1960s and the mid-1970s, this figure fell to about 0.9 percent. In the last four or five years, it has moved upward slowly and is now above 1.1 percent. Even so, it is clear that corporate funds are not now and never have been a major source of revenue for colleges and universities.

The Rationale for Increased Corporate Support

Many in the academic community, however, have begun to think of the corporation as an important potential source of funds and to focus attention and expectation on the possibility of raising substantial sums of money from this source. Obviously this view is closely related to the pressure of inflation on the cost side of the budget equation and to the sluggishness of government and foundation funding on the revenue side.

While the facts indicate that corporate support of higher education is small in relation to other sources of private money and small in relation to institutional expenditures, the important and interesting question is whether it might become significantly larger in the near future. Many hope that it will. Many expect that it will. Are these hopes and expectations realistic?

The answer to that question requires some understanding of the

motivation and rationale for corporate philanthropy. Corporations make contributions because they perceive that it is in their enlightened self-interest to do so. They recognize that in the long run they are better off, and their employees, customers and stockholders are better off, in some relevant sense, than they would be if they gave nothing. The modern view is that charitable and educational contributions represent not merely a short-run cost of doing business but a long-run investment of the corporate dollar that yields an economic return of some significance.

Corporations Recognize Higher Education's Importance

This perception is now very explicit as regards corporate support of education. There is recognition in the executive suite of the benefits that flow from education to business, and business leadership has a clear understanding of the fact that the health and vitality of educational institutions are matters of importance to the corporation. This is evident in the way companies structure their educational support programs and in the techniques by which they choose the particular institutions they support. And I am happy to say that we have detected the beginnings of heightened awareness of the importance of education, in both its quantitative and its qualitative dimensions, among those in the corporate community. There is, we believe, some evidence of a new surge of growth in corporate support of higher education, one that will involve not merely more money and property but also more imaginative and productive kinds of educational support.

It is clear that there has been a growth in the involvement of business executives in the academic community and a parallel growth of interest in business on the part of those on campus. This two-way exchange of people and ideas is in itself responsible for some of the current and prospective gains in corporate aid to education, and the more it continues and strengthens, the more likely it is that the future growth of dollar support will be vigorous.

Corporate Giving and the 5 Percent Tax Deduction

Objectively speaking, there is a potential for further growth in corporate support of higher education, and I would hazard a guess that such giving will continue to grow faster than corporate earnings before taxes. There are, however, many who look at the potential for corporate giving in terms of arbitrary numbers such as the permissible ceiling of 5 percent of taxable income specified in the Internal Revenue Code. When one compares 5 percent of current pretax profits to the current levels of corporate contributions, it is tempting to conclude, as many do, that five or ten billion dollars of additional corporate philanthropy could be obtained overnight if only corporate managements could be persuaded to do what the tax law allows.

Smith
(continued)

This is naivete personified. The percentage limitations in the tax law are just that—upper boundaries to this particular deduction. They cannot reasonably be held to be levels at which taxpayers should give. If the contrary were true, individuals (including all of you, all of us and all other taxpayers everywhere in the land) should increase their charitable gifts from the present average of 2 percent of adjusted gross income to 50 percent, because that happens to be the ceiling in the tax code that applies to individuals!

I believe that no arbitrary percentage or formula should substitute for the judgment of management in regard to matters of corporate policy, especially the level of contributions which so intimately affects the relationships between the company and much of the rest of society. And in particular, an arbitrary limit in the tax law should not, and typically does not, provide a sound basis for setting corporate goals. A company's contributions program, and the allocation of the dollars among competing requests for support, must be a managerial decision based on the perceived interests of the company, its stockholders, its employees, its customers and other groups to which management feels a sense of responsibility.

Business has come a long way in terms of its willingness to provide financial support to the nation's nonprofit sector, but it has been a slow process involving the education of both stockholders and management, the evolution of philanthropic rationale and the development of contributions mechanisms and skills. While further progress is probable, it will of necessity continue to be slow, for it requires time to expand contributions in ways both wise and productive.

Colleges and Universities Must Understand Corporate View

The potential for increased corporate support of higher education depends in part on the ability of the institutions of higher education to make a proper case for increased support. Let me emphasize that a proper case cannot be based merely on need and the deserving character of the institution. Each appeal for funding must show in convincing fashion why it is in the interest of the prospective corporate donor to give the requested amount of money to that particular college or university for that specified purpose.

It is imperative for those in the academic community to become fully aware of the corporate view of its interests in higher education. Such knowledge will sharpen the capacity to do effectively that which is possible without giving rise to unrealistic expectations. And more importantly, it will help define the potential for a corporate-campus relationship that will enhance mutual understanding and lead to a productive collaboration capable of strengthening the mutual interests of both business and higher education.

What Colleges and Universities Can Expect from Corporations

by Doris J. O'Connor, *Senior Vice President*
Shell Companies Foundation, Inc.

Good afternoon. It's good to be here today. I welcome this opportunity to discuss with you what colleges and universities can expect from corporations.

To put it simply, education can expect us to be aware of its problems, to be concerned about its needs and to do whatever we can within our means to respond to those needs.

We know the kinds of problems facing education—problems of declining enrollment and higher costs, problems of government cutbacks and government regulations and the ever-present problem of obsolescence in plant and equipment.

But why should we be concerned?

In a sense the problems of education are the problems of business. We have a big stake in education—in our need for educated people, in our need for basic research and in our need for the public service that colleges and universities perform in addressing the social ills that pervade our society.

Yes, in today's environment, society demands more of corporations than the traditional functions of providing jobs and goods and services. We are also expected to be good neighbors by conducting our business in a socially responsible way and by helping to improve the quality of life in the communities where we operate and in the community at large.

We are willing to accept the challenge. But societal needs are so great that if any real progress is to be made, all forces—government, business and education—must work together to get the job done.

Industry's support of education is an important part of the relationship between business and the rest of society. At Shell, education is such an important part of this relationship that aid to education makes up the largest part of our total philanthropic budget.

O'Connor
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Education Program Objectives

We have four major objectives for our aid to education. First, we seek to improve the quality of education in professions of interest to Shell. Second, we hope to enhance mutual understanding of the public, government and business through the education process. Third, we try to provide educational opportunities for minorities. Finally, we strive to help preserve the dual system of education.

To meet these stated goals we approach the investment of philanthropic dollars in education with the same care as we give other business investments.

So it is our task to decide whom to support and what kind of support to give. This is not an easy undertaking.

There are approximately 2,800 colleges and universities in this country. We simply can't help them all. We have to make decisions that will lead to a productive collaboration that will strengthen the mutual interests of business and higher education.

In making these decisions we seek the guidance of both the business and educational communities. But the key to the whole process of deciding who gets what is a company's natural affinity for one school or program or discipline over another. In other words, corporations give to certain programs not only because they are worthy of support but because they relate to a corporation's self-interest.

Long ago we had to recognize that we are unable to do all good things. So it only makes good sense for us to put our scarce and precious philanthropic dollars into places and things where we have the ability to evaluate the effectiveness of our support and where the support can yield benefits to donee and donor alike.

Just like other kinds of business investments, this kind of philanthropic investment can be justified because it contributes to the long-term viability of the company.

I think Shell's criteria for deciding whom to help provides a good example of what I'm talking about.

Why Does the Shell Companies Foundation Give to Certain Universities?

In considering who gets what, we consider educational needs. We assess the type of research being done by the institution. We look at the quality of the institution and the quality of its students. We consider whether the institution is public or private. Finally, we look at its location relative to Shell facilities.

While none of these factors is controlling, we weigh them together in making our decisions. But again, they all relate to the important aspect—will support of that college in some way enhance that institution and our business as well?

Logically, one of our main concerns is manpower. Every company requires a steady flow of new employees with certain skills in

different disciplines. Higher education provides the source. Naturally a company is interested in schools that can provide people with the skills that company uses. You could expect a technically oriented company like Shell with heavy research interests to give its support to science, engineering and business programs. On the other hand, a retail business would be more likely to direct its support into business programs.

Shell is also interested in graduate programs because practically everyone in our research organization has a graduate degree. In other companies, where the number of college graduates is much lower and the need for advanced degrees isn't there, you're going to get a different mix.

In addition to providing future employees, education yields another return. That is in the area of research. Colleges not only disseminate knowledge but also add to it through research. The support of basic research in a particular field can lead to the improvement of materials, processes and products.

Applied research inevitably depends upon basic research for its inspiration. This gives us considerable incentive to support the basic research conducted on the campus in fields of interest related to the technologies of the corporation.

So it's not surprising that support in research in certain fields is important to us.

We also think about the faculty the institution will produce to propagate the profession. Although a department may not produce any Shell employees, it may produce faculty members to keep the whole system going.

Another factor we take into account is the quality of the institution—its faculty, its students and its programs. We make no apology for leading to strength. It makes good sense to put our money into a going concern.

We also consider whether the college is public or private, and in making our decisions we try to maintain a balance. One of our objectives is to preserve the dual system of education. We want to give financial assistance to privately controlled colleges and universities. These are important in maintaining the strength of diversity traditional in American higher education. Diversity in education enhances quality in curricula, programs and results.

Finally, we consider geographic location. Being a neighbor is not a prerequisite for a contribution, but it does not hurt. Last year we gave to about 450 colleges and universities. Most of them were nowhere near a Shell office or refinery. But if we had to choose between two comparable institutions, one a neighbor just down the road and the other a thousand miles away, chances are we'd choose our neighbor.

These, then, are our basic criteria for determining who receives aid. The next question that needs to be considered is how and what kind of aid a company can give.

O'Connor
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How and What Kind of Aid Can a Company Give?

There are two basic approaches dealing with aid to education. One is essentially an ad hoc program. The other, and we believe it to be the far more productive, is a structured program that takes into account the specifics of the company's own self-interest, its organizational and technological character and its relationships to higher education.

This type approach maximizes the company's return on investment and does so in a way consistent with the other types of objectives that the company wishes to achieve.

Within these two ways of approaching corporate giving there are various types of corporate aid.

According to the annual survey by the Council for Financial Aid to Education, there are wide variations in types and degree of educational support from one industry to another. For example, manufacturers as a group allocated significantly more of their support to departmental and research grants than did nonmanufacturing companies. In my industry, oil and gas, more than a fourth of all direct grants were to departmental and research grants. This figure bears out the kinds of things I was mentioning as to the criteria Shell uses in picking whom to support.

The CFAE survey also found that nonmanufacturers collectively gave greater importance to unrestricted grants, capital grants and employee matching-gift programs than did the manufacturing companies as a group.

Banks fall under this nonmanufacturing classification. More than a fourth of their contributions were capital grants. That's not surprising given the nature of the business they are in.

Again, the survey supports this basic notion that companies tend to give to colleges and universities that can help serve their business purposes.

The survey also found that support generally for capital purposes has dropped sharply in terms of percentage and that this downward trend will continue. This reflects the slowing of growth in higher education and the corresponding smaller need for capital funds.

On the other hand, unrestricted operating support showed a large increase in both dollars and percentage of the total.

Departmental and research grants also showed a large increase in both dollars and percentage of the total.

Another important program is the employee matching-gift programs.

In 1980, more than 800 companies have such programs. Five years ago that number was less than 500. As the number of programs has increased, so has the average size of the match. Many companies such as Shell are adopting some form of multiple match. We match our employees gifts two for one.

The Shell program illustrates the potential growth in this area. A

total of almost $700,000 went to education in our fifth and most successful round of matching gifts. Compared to the same period a year ago, the amount contributed is up 38 percent and the number of contributions has risen 25 percent.

I've talked about employee matching gifts, departmental and research grants and unrestricted operating grants because they make up the major part of the corporate giving pie.

There are, of course, other important types of aid to institutions.

Corporations may award student aid grants, library grants, endowments, sponsored professorships and others. Corporations also aid the individual through scholarships, fellowships, internships and cooperative education programs.

Corporations, including Shell, support national educational associations such as the American Council on Education, the American Governing Board of Colleges and Universities and the Council for Advancement of Small Colleges.

For detailed breakdowns write to CFAE for its survey *Corporate Support of Higher Education.*

People Support Also Important

All the means of support I have mentioned so far deal with monetary support. But we also lend another type of support which is equally important—that is people support. For instance, Shell's president, John Bookout, is on the Board of Visitors of Tulane University.

Another example is our 20-member Education Committee, which investigates requests on behalf of the Shell Foundation and recommends donations for the Foundation's consideration. The committee is composed of senior management who represent certain professional specialities.

A vital offshoot of that effort is the establishment of communication with the academic community. The dialogue that exists does more than help keep the Foundation current. It helps the universities and students gain a better understanding of what business is about.

The committee members have knowledge of the business and scientific community. We seek their advice to insure that the Foundation's programs continue to be dynamic. They spot trends, and if changes are needed, they offer ideas and make recommendations that will help the Foundation in maintaining a vital program.

Simply put, our monetary support—and that of other companies—is enhanced by people support.

Joint Action for Public Service

Another area that deserves mention is joint action in the area of public service. For instance, Shell and other companies helped sponsor basic research at Purdue University in the fields of consumer and mortgage credit. Along with numerous other academic and corporate members, we help sponsor the ACE's Business-Higher

O'Connor
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Education Forum. The forum is designed to promote understanding between business and colleges and universities.

As you can see, companies can help education in many ways.

How You Can Obtain Corporate Support

Perhaps the most important question remains—how can you obtain corporate help for your school?

My best advice is for you to do your homework before you approach a corporation. Find out about the things I have discussed today—what criteria does a company use to determine who gets aid, and what kind of help does the company offer.

Find out what types of employees it has. Determine if the workforce is composed primarily of people with undergraduate degrees or with Ph.D.'s. Find out how many of your graduates the company has hired, what kind of research the company conducts, where its plants are located. When I read a proposal, I also like to have a description of the institution and the department.

We are looking for quality, and the college or university needs to prove it is a quality institution. We want a picture of the institution, its faculty and its students. Once we evaluate the proposal, we can say this is the kind of institution we can support or we cannot support because it does or does not meet our criteria.

Because a request does not meet Shell's criteria, however, it does not mean it won't meet another company's criteria.

Enlightened companies are trying to determine the best mix of types of support for accomplishing their objectives and meeting the needs of education.

Wise Giving Yields Significant Returns

We believe that investing our philanthropic dollars wisely in education will yield significant returns in the future for business and for the academic community.

But whatever the dollar amounts and objectives of aid to education, the benefits to corporation and campus can be enlarged through communication. By realizing each others' needs we can multiply many times the value of the dollars invested in higher education.

I hope I have given you a better picture of what you can expect from us, how companies make difficult choices in aid-to-education programs and how you can help us make these decisions.

The Corporation Looks to the Campus

by William A. Orme, *Secretary, General Electric Foundation,* and *Manager, Corporate Support & Educational Relations, General Electric Company*

General Electric's support of higher education can be traced back nearly to the company's very beginnings when equipment was contributed for use in college laboratories. Over the years, this support has been sustained and substantially increased to where today, according to CFAE data, our educational contributions program is the fifth largest in the corporate community.

Is this support truly philanthropic in nature? Hardly. It is enlightened self-interest, for there can be no blinking the fact that companies like General Electric are heavily dependent upon our colleges and universities.

Manpower Needs

First, and most obviously, they are the source of our educated manpower, and if these were not continually available to us, companies like ours would soon atrophy. To quantify this for you, the General Electric Company presently employs some 47,000 college graduates who collectively hold approximately 61,000 degrees. This population includes about 2,000 Ph.D.'s. In a typical year, we recruit another 1,800 or so college graduates. As you would expect, this college graduate population is largely technically educated, given that General Electric is a technologically oriented company whose products range from toasters to jet engines, from heat pumps to man-made diamonds, from engineering plastics to locomotives.

Research and Development

Our company has a substantial research and development program. Last year alone, General Electric's R&D expenditures exceeded $1.4 billion — and in many cases, this program depends upon both the new knowledge developed on campuses and the expert talent available there as well. These linkages to our R&D efforts may in-

Orme
(continued)

volve contract research, faculty as our consultants, published research results, and a speaker exchange, or the like. The critical elements, however, are the continuing availability of the talent and the continued development of new knowledge on campus.

Employee Education

We estimate that General Electric spends some $24 million a year on the education of its professional and managerial population alone. This works out to about $300 for each of these employees a year. Our courses range from management development to functional to specialized training and can be given in our company facilities, at our Management Development Center in Crotonville, New York, or on college campuses. Some 5,000 General Electric people are involved each year in formal management development courses. These very often involve college faculty. For example, our advanced course in engineering, which has 600 General Electric baccalaureate-level engineers enrolled in a master's program, is run in conjunction with 15 engineering schools and utilizes both college faculty and company instructors. And, of course, many of our employees regularly attend courses on campuses to continue their education under our Tuition Refund and Individual Development Programs. Last year, the company payments under these programs totaled $2.9 million. Of course, each of you could cite many other examples of ways your school serves the corporate community, and we commend and thank you for this.

Fund-Raising Expectations

Turning now to my professional area—corporate contributions—let me review some of my expectations when a college or university approaches us for support. You may be surprised to learn that there are still colleges and universities that subscribe to the Edmund Hillary School of Fund Raising. Like Sir Edmund's rationale for climbing Mount Everest, their rationale in seeking our support for their school is, "Because it's there."

If you plan to seek our support, it should prove helpful if you first read our foundation annual report carefully to ascertain what we do and what we don't do. For example, it points out that we do not customarily make capital grants. In addition, let me invite you or your colleagues to get in touch with us informally to discuss your plans. Perhaps we can assist you in making the best case possible that will satisfy both your needs and our interests. We welcome the opportunity to do just that.

Spread the Base

A study for the Filer Commission found that only about 30 percent of U.S. corporations report making any philanthropic contributions and only about one-third of those give more than $500 per year. And, while I may be overly sensitive on this point, it is the rare fund drive indeed that does not have as a principal target those companies near the top of the Fortune 500. I don't mean to suggest that we should be—or ever will be—excused from these support petitions. But I do believe that those seeking the funds have a responsibility to spread the base of support and make the case not only to major corporate givers, but also to those companies that are not now providing their fair share. At the time you come to us, it will help your case if you can demonstrate that you have already approached and enjoyed some reasonable success with those companies that make up your natural constituency—i.e., those represented by members of your board of trustees, those in your geographic area and the like. While CFAE has done a superlative job in establishing a favorable climate throughout the corporate community for the support of higher education, it is up to you to make the sale with your corporate constituency.

Alumni Matching

I would also like to focus for a moment on another natural college constituency—alumni. Alumni and other individual giving would be my first priority in a college development program. As has already been pointed out, individual giving leads corporate giving in support of higher education by a three-to-one margin. Further, the potential here for increased giving is substantial. For example, while General Electric employs some 47,000 college graduates, last year only 6,000 employees in total took advantage of our Gift-Matching Program. Our foundation will match eligible contributions up to $5,000 per year per participant, but our average gift matched was less than $100. A similar opportunity rests with alumni who are employed in any one of the 800 or so companies that presently provide a gift-matching program. If you are able to show that your own alumni strongly support your school, then it will significantly strengthen the case you make to others for support. Parenthetically, you may not know that the gift-matching concept was initiated by the General Electric Foundation 25 years ago. Since then, colleges and universities have received some $25 million from participants and our foundation under this program.

Without minimizing the importance of higher education to the corporate community, it would be appreciated if schools would bear in mind that there are many competing claims upon the necessarily limited resources that any corporation can make available for contributions. These competing claims include, but are not limited to,

hospitals, arts and cultural groups, museums, libraries, minority organizations and the voluntary health and welfare services represented in local United Way drives.

Challenging Issues

What are some of the issues that we see the colleges facing today? Certainly none not already on your agenda. For example, the August 25 issue of *The Chronicle* reported the results of a University of Northern Iowa survey on what worries college presidents. Not surprisingly, inflation and financial problems headed the list, followed by student recruitment and retention, and then—an ominous item—changes in the institution's mission and purpose. As you act to resolve any one of these problem areas, you run the risk of taking steps that in turn aggravate another set of problems. As stated succinctly by biologist Garrett Hardin, "You can never do merely one thing." Yet, this cannot be a rationale for non-action, and it is with great interest that we watch how various university leaders cope with the challenging issues of the day. As Yogi Berra said, "You can observe a lot by just watching."

Allocating Scarce Resources

General Electric is interested in how universities face up to reallocating scarce resources, how they balance the current shift of student interest from social sciences and the humanities to disciplines which provide greater assurance of a job upon graduation, such as engineering, economics and business. Will this shift in student interest prove long lasting, or will it turn out to be just another "fad of the day"? If resources are reallocated to accommodate student shifts, how do you avoid jeopardizing the academic investment built up over many years in establishing currently less popular disciplines? I fully appreciate that it's one thing to pose such thorny questions, but quite another to act upon them as you in the arena must do.

Minorities and Women

As our track record clearly reveals, General Electric is eager to hire women and minorities, and we actively hunt for them. But we cannot build high-bypass turbofans with sociology, black studies or phys-ed majors. Many of you and your colleagues have done a superlative job in helping the industrial community encourage minorities and women to go into the necessary fields that will prepare them not only to be employed by the General Electrics of the world, but to succeed once they are there. For your support of, assistance with and investment in these programs to help minorities and women enter and succeed in science and engineering, we are indeed grateful. This need will continue for the foreseeable future, and we earnestly solicit your unflagging help and support.

Lab Equipment from Higher Tuitions

Given the increasingly burdensome cost of keeping laboratory equipment up to date—especially in such fields as computer science and electronics, but also in all engineering and science programs—are schools willing to reflect the higher costs of these educational programs in their tuition fees for engineering and science? We are all accustomed to tuition disparity among educational institutions. And, at the graduate level, I believe that the higher costs of such professional schools as medicine are reflected in higher tuitions. Could this approach similarly be taken at the undergraduate level? So long as courses such as engineering remain in demand by students, perhaps increased tuition and fees could pass the market test. If so, the extra funds then made available should, of course, be earmarked to help those academic departments keep their laboratory equipment up to date. But I know that I am not qualified to assess the merits and demerits of such an approach. This requires your professional judgment and consideration.

Faculty Shortages

Because of the popular cliché of the Ph.D. cab driver and the publicity given to the retreading of Ph.D.'s so they can do something "useful," it is not readily understood outside the academic community that in disciplines such as engineering and computer science there is a very real and acute shortage of qualified faculty—especially young faculty — and that the outlook for the future is even less promising. In large part, this problem is caused by the economic rationality of your students who can make the financial comparison between taking a job with us after earning their bachelor's degree or making the investment to earn a doctoral degree and going into academia. My information suggests that fewer and fewer of our really top U.S. students, unfortunately, are opting for academic careers. If I am correct and we are, in fact, eating our academic seed corn, then it would seem to me that this issue should be brought forcefully to the attention of the corporate community, not by just one college or university, but by the academic leadership in general. Perhaps it is also time for the colleges to respond to the fact that faculty salaries cannot remain in lockstep while external salary competition varies among academic disciplines. There is, I believe, precedent for salary variation with medical and law school faculties, but it may now be needed as well in science and engineering.

We are aware that all schools face such issues as a decreasing supply of students, lower returns on endowment and the increasing reluctance of state legislatures to fund higher education. While the need to expand nontraditional and off-campus programs and activities is understood, there should be no compromise with the quality of such programs, just as there should be no compromise in the quality of traditional campus programs.

The Mortality of Colleges

It is difficult not to get impatient with the academic doomsayers who foresee the financial collapse of our higher education system. Yet, as the man said, where there is smoke there is fire, and I am reminded of the simple epitaph on the gravestone of the English hypochondriac which states, "I told you I was sick." It is clear that there are very real problems facing academia, not of your making, that are rooted in demographics and economics. As a consequence, some colleges will surely be forced to close their doors during the decade of the '80s, but I suspect that more than a few businesses will have to do the same.

There should be no more of a guarantee to higher education than there is to the business community that its institutions will enjoy infinite life. Some weeding out in both our groups is not all bad. In fact, it is probably inevitable for, as stated in Brien's First Law, "At some time in the life cycle of virtually every organization, its ability to succeed in spite of itself runs out."

Preparing Tomorrow's Leaders

It is the awesome responsibility of your institution, or more correctly, of you and your academic colleagues, to identify and prepare tomorrow's leaders—through your teaching, through your research and through your personal example. And we cannot afford to train this set of generals to fight yesterday's wars. The leaders of tomorrow must be educated to be future oriented, to be sensitive to the forces at play around them and to be able to anticipate the directions of change. They must also be able to assess the ethical directions of change and be able to assess the ethical options and values involved in decisions yet to be made.

The Odd Couple

Business and academia—the odd couple. On one hand the business community—a restless force for change in and of itself—must respond aggressively and knowledgeably to a changing world. On the other, the academic community—deservedly proud of its long tradition and its intellectual heritage—must struggle to keep in touch with ever faster changing realities. Instinctively, the two seem to be moving closer together. We need each other.

Let me close by quoting one of my General Electric colleagues who said, "America's system of higher education is a national asset of immeasurable value which exists today only because of prior generous investments—of creativity and dedication by some, of dollars by others. It is difficult to imagine that our society will continue to flourish and grow without a healthy system of higher education. Thus, the corporate community must continue to offer its enthusiastic and tangible support in helping to ensure the future of our colleges and universities."

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